

United States District Court
STATE AND DISTRICT OF MINNESOTA

UNITED STATES OF AMERICA

V.

KHAFFAK SAHIB ANSARI

CRIMINAL COMPLAINT

Case Number:

MS-11-178 JSG

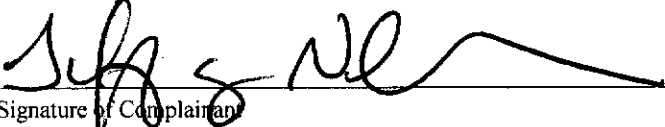
I, the undersigned complainant being duly sworn state the following is true and correct to the best of my knowledge and belief. From on or about January 1, 2006, through on or about September 16, 2010, in Ramsey County, in the State and District of Minnesota, defendant, Khaffak Sahib Ansari, did knowingly use, transfer, and acquire, benefits under the Supplemental Nutrition and Assistance Program, in a manner that was contrary to the rules and regulations of that program. In particular, Ansari allowed benefit holders to trade their benefits for cash, and to use their benefits to purchase merchandise that was ineligible under the program,

in violation of Title 7, United States Code, Section(s) 2024.

I further state that I am a Special Agent with USDA -OIG and that this complaint is based on the following facts:

SEE ATTACHED AFFIDAVIT

Continued on the attached sheet and made a part hereof: ☒ Yes ☐ No


Signature of Complainant
Tiffany Nelson

Sworn to before me, and subscribed in my presence,

United States Department of Agriculture Office of the
Inspector General (USDA-OIG)

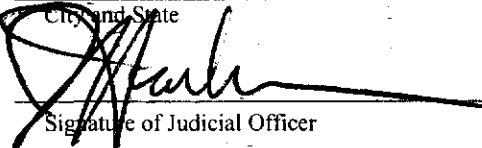
4/29/11
Date

at

St. Paul, MN

The Honorable Jeanne J. Graham
UNITED STATES MAGISTRATE JUDGE

Name & Title of Judicial Officer


Signature of Judicial Officer

SCANNED

APR 29 2011

U.S. DISTRICT COURT ST. PAUL

STATE OF MINNESOTA)

) ss. AFFIDAVIT OF TIFFANY NELSON

COUNTY OF HENNEPIN)

Tiffany Nelson, being duly sworn, deposes and states as follows:

1. I am a Special Agent of the United States Department of Agriculture Office of the Inspector General and have been so employed since April 2004. As part of my regular duties, I investigate offenses relating to Supplemental Nutrition Assistance Program (SNAP) fraud, which is commonly referred to as food stamp fraud, access device fraud, money laundering, wire fraud, and other financial crimes. As a Special Agent of the USDA, I have received specialized training regarding the fraudulent use of access devices, wire fraud and money laundering violations. This affidavit is based on my personal knowledge, and information obtained from documents, witnesses and other law enforcement agents involved in this investigation. The information contained in this affidavit is provided for the purpose of establishing probable cause for the search warrant described below and does not contain all the details of this case known to me.

BACKGROUND

2. This investigation has been conducted in cooperation with the United States Department of Agriculture, Office of Inspector General -- Investigations (OIG-I), the Saint Paul Police Department (SPPD), Internal Revenue Service (IRS), Minnesota Financial Crimes Task Force. The investigation was initiated based on the arrest of a shoplifter at Target, who claimed to be reselling the stolen merchandise at Stryker.

Supplemental Nutrition Assistance Program (SNAP)

3. As of October 1, 2008, the official name of the federal Food Stamp Program changed to the Supplemental Nutrition Assistance Program (SNAP), however, the forms (including the 252 application) as well as the regulations still refer to the Food Stamp Program. This affidavit will refer to the Food Stamp Program and SNAP interchangeably. In 1993, the USDA, through the State of Minnesota Department of Human Services (MNDHS) converted from traditional paper food stamp coupon system to what is known as an Electronic Benefit Transfer (EBT) card, commonly referred to as an EBT Card.

An Overview of the EBT Transaction

4. Instead of being issued food stamp coupons, recipients are issued EBT cards that can be used at participating retailers. EBT cards are like credit or debit cards, and in the case of SNAP, the EBT card is linked to the recipients benefit account, and credited with the beneficiaries' allocated benefit amount on a monthly basis. The recipient can redeem benefits at participating retailers. Redemption is done in a fashion similar to a credit card transaction, either by manually entering the account information or by swiping the EBT card through the Point of Sale device (POS device). The food stamp recipient then enters a personal identification number (PIN) in the machine's external PIN pad to complete the transaction. The EBT card machine records the EBT card number, the date and time of the transaction and the amount debited from the recipient's EBT account.
5. Once the necessary information is received by the POS device, it automatically calls one of the three 1-800 telephone numbers stored within the device, which allows the

POS device to dial into the eFunds computer system located in New Berlin, Wisconsin. Through this contact the EBT card transaction is either approved or rejected by making several checks against the account and transaction (correct card number, active account, correct PIN, sufficient balance, and authorized retail number), and the result is then communicated to the POS device, again via the open phone line. If the EBT card transaction is approved, eFunds would transfer or cause to be transferred funds from the recipient's account into the bank account of the authorized retailer to whom the POS device was registered. The transfer of funds into an account identified by the authorized retailer normally takes place within two days following the approved EBT card transaction. The EBT card is an access device within the meaning of Title 18 United States Code, Section 1029 (e) (1), in that it is a card containing a series of numbers which can be used to obtain things of value, specifically, eligible food items under the Food Stamp Act.

6. To become eligible to participate in the Food Stamp Program store owners in Minnesota are required to complete, sign and submit a Food Stamp Program Application for Stores, Form FNS 252, to the St. Paul Field Office of the USDA. Stores approved by the USDA to participate in the Food Stamp Program, which is administered by the Food and Nutrition Service (FNS), are issued a food stamp authorization number, and are provided with a POS device or a swipe device, which debits the recipient's account for the cash value of the eligible items purchased. The vendors are then reimbursed, normally within two days for the redemptions via an electronic transfer directly into an authorized bank account.

7. EBT SNAP recipients may exchange EBT SNAP card benefits only for eligible food items and only at stores authorized by the USDA-FNS. Authorized stores are prohibited from accepting EBT SNAP benefits in exchange for items such as alcoholic beverages, tobacco, hot foods, vitamins or medicines, pet foods, non-food items such as cell phones; cell phone minutes/ring tones, or household goods. EBT SNAP benefits may not be redeemed for cash.

Stryker is an Approved EBT SNAP Store

8. On March 19, 1998, an FNS staff member visited Stryker as a part of its authorization process. The purpose of the site visit was, in part, to determine if the store had the proper food stock to participate in the program. For the purposes of reauthorizing Stryker, another store visit was conducted on April 26, 2007. In the report documenting the April 26, 2007 visit, the FNS staff member noted that there were no shopping carts or optical scanners, but there were shopping baskets. The FNS staff member determined that there was only one POS device and two cash registers. The FNS staff member commented on the store visit survey form that the store had dusty cans and was not very clean.
9. During a FNS visit the FNS determined that Stryker would be considered a Small Grocery Store (SG), which FNS currently defines as: A store that carries a small selection of all four staple food categories. They may sell ineligible items as well, but their primary stock is food items, they usually have less than two registers. Stryker continues to be designated as a SG.
10. At the time that Stryker was authorized, applicants in the Twin Cities Metro area were required to attend in-house retailer training in the USDA-FNS office in St. Paul,

Minnesota and sign an agreement. The retailer training was attended by Khaffak Ansari on March 3, 1998, and at that training he signed the agreement. In completing the application and agreement, Khaffak Ansari certified, in pertinent part that:

- a. He has attended retailer orientation held by the USDA, Food and Consumer Service, at which Food Stamp Program rules and regulations were thoroughly reviewed (Note the agency had a name change for a few years to Food & Consumer Service but it was changed back again to Food & Nutrition Service);
 - b. He understands that exchanging cash for food stamps is illegal and could result in permanent disqualification from the Food Stamp Program as well as criminal prosecution.
 - c. He accepts responsibility on behalf of Stryker to ensure that all employees at his firm are properly instructed regarding the Food Stamp Program Regulations.
11. On an initial visit report that was completed by an FNS staff member, on March 3, 1998, the person listed as having been interviewed during the retailer-in-house training at the FNS Field Office in St. Paul, MN was Khaffak Ansari. The initial visit report states that:
- a. All Food Stamp regulations were reviewed, the issues of trafficking, ineligibles, employee training, and ownership responsibility were particularly stressed; and

- b. The person interviewed was clearly instructed that the exchanging of cash for Food Stamps is against the law and can result in criminal prosecution and permanent disqualification from participation in the Food Stamp Program.
12. On April 2, 1998, Stryker was authorized to accept Food Stamp Program benefits (via EBT and paper food coupons) currently called EBT SNAP. The owner was assigned FNS authorization number 3219852. FNS records show Khaffak Sahib Ansari to be the only current owner associated with Stryker.

Khaffak Sahib Ansari Owns Stryker Avenue Food Market, 605 Stryker Avenue, St. Paul, Minnesota 55107

13. Based on my investigation, I believe that Khaffak Ansari is the owner of Stryker, located at 605 Stryker Avenue, St. Paul, Minnesota. According to Ramsey County property records, the owner of Stryker is, Khaffak S. Ansari, 1131 Benton Way, Arden Hills, MN, 55112, and the Certificate of Occupancy Responsible Party is listed as, Khaffak Ansari, 605 Stryker Avenue, St. Paul, Minnesota, 55107.
14. Ansari reported himself as the owner to the FNS when applying for authorization to process EBT SNAP benefits at the store.
15. Since July 2008, vehicles registered to Ansari have been seen at Stryker on at least 21 occasions.
16. During the past three years, Stryker has used two bank accounts on file with the State of Minnesota as the deposit account for EBT SNAP money. From December 2007 through December 2009, Stryker used M&I Bank account number 25092155. Since January 2010, Stryker has used Bremer Bank account number 6767210. Ansari was the person listed with signatory authority on both accounts.

EVIDENCE IN SUPPORT OF PROBABLE CAUSE – FOOD STAMP FRAUD

17. Since December 2008, 17 citizen complaints have been received by various agencies.

These complaints allege that Stryker is involved in illegal activities, including trafficking food stamps, allowing ineligible items to be purchased with food stamps, drug sales, and illegally purchasing WIC vouchers for cash. Based on my training and experience, food stamp trafficking commonly involves redeeming food stamps for cash. This occurs when a food stamp authorized redeemer, like Stryker, swipes or debits an EBT card for a specified amount. The redeemer gives the cardholder a discounted amount of cash and is credited in their designated account with the full swiped amount. For example, if an EBT card was swiped for \$200, the cardholder would get \$100 in cash, and the redeeming store would get \$200 deposited into its designated bank account. Food stamp fraud can also involve a redeemer, like Stryker, allowing cardholders to purchase non-eligible items, such as cigarettes or cell phone minutes.

18. An analysis of USDA records of Stryker EBT redemptions revealed a number of patterns consistent with food stamp trafficking. Certain behaviors and patterns related to the average dollar amount of the transaction, and the timing and frequency of redemption serve as indicators that fraud may be occurring. Stryker has exhibited all of these behaviors, which are inconsistent with legitimate food stamp redemption. Another indication of food stamp fraud is dramatic increase in EBT redemption amounts at Strkyer over time. USDA records show that the estimated annual retail sales submitted by Ansari on his FNS application were \$180,000, or an average of \$15,000 per month in sales. But during the first month that Stryker participated in the

program, the stores sales had more than doubled the estimated amount. By August of 2009, Stryker was doing \$223,600 per month in food stamp only transactions which surpassed the estimated annual retail sales amount of \$180,000.

19. In addition, a review of food stamp transactions at Stryker as recorded and monitored by the USDA, disclosed food stamp transaction activity far in excess of comparable stores in close geographic proximity.
20. The average EBT transaction in Minnesota Small Grocery Stores for the period of January through December 2009 was \$23.16. The average EBT transaction at Stryker for this time period was \$40.72. In December of 2009, Stryker's busiest day was Sunday, December 13th during which they had 304 EBT transactions, totaling \$22,160 with the average transaction being \$72.90.
21. Between 2004 and 2009, the average EBT redemption for a similarly sized store in Minnesota was approximately \$322,793. In contrast, during that same time period, Stryker's EBT redemptions from 2004 through 2009 total approximately \$3,153,059.
22. I have reviewed the food stamp redemption records of five comparable stores within one mile of Stryker. From December 2008 through December 2009, Stryker did \$1,783,272 more in food stamp redemptions than the average of these five other stores.
23. On May 11, 2010, surveillance was conducted on Stryker. A review of USDA-FNS records shows that from 9:30 AM to 10:30 AM, there were 31 transactions that totaled approximately \$1,065. Nine of these transactions were over \$50. Despite the size of these alleged purchases of eligible food items, no one was seen leaving the store with any appreciable amount of groceries. During this time 4 customers were seen leaving

the store with very small plastic bags appropriate for merchandise the size of a candy bar or pack of cigarettes. Nine customers were seen with one small plastic grocery bag. No other customers had bags.

24. On October 14, 2009, surveillance was conducted on Stryker. From 11:00 AM to 12:00 PM, the store had 52 customers enter the store. During this same time, there were 19 sales over \$50. Despite the size of these alleged purchases of eligible food items, no one was seen leaving the store with any appreciable amount of groceries. Of the 52 customers observed, only 2 people left with grocery bags, and they were small.
25. On October 14, 2009, surveillance was conducted on Stryker. From 1:00 PM to 2:00 PM, the store had 93 customers come into the store. During this same time 30 transactions took place, and there were 10 sales over \$50. Despite the size of these alleged purchases of eligible food items, no one was seen leaving the store with any appreciable amount of groceries. 10 people left the store carrying 1 small grocery bag each. 1 customer left carrying 3 small grocery bags and 1 customer left carrying a very small bag.
26. In August, September, and October of 2009, Stryker, a 2,150 square foot store, did approximately \$698,933 in EBT transactions. Over this same time period, a Rainbow Foods located approximately 2.2 miles from Stryker, at 1660 Robert Street South, West St. Paul, Minnesota, a 61,670 square foot store, did approximately \$644,762, which was approximately \$54,171 less.
27. Ansari has not filed a corporate income tax return with the Internal Revenue Service since 2005. Based solely on food stamp redemptions, Ansari should have filed corporate tax returns for 2006, 2007, 2008, and 2009.

28. Ansari has not filed an individual income tax return with the Internal Revenue Service since 2003. Ansari should have filed a tax return for every year that he owned Stryker.

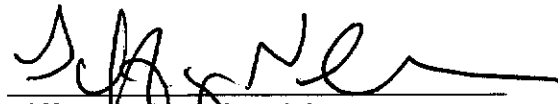
29. From July 2008 to January 2010, CIs and UCs had been working in cooperation with Special Agents of the USDA. During this time period, the CIs and UCs conducted a series of food stamp transactions with the employees of Stryker, which were both monitored by law enforcement and recorded. The following information is derived from observations made by Special Agents, debriefings of the CIs and UCs immediately following undercover transactions:

- a. On July 16, 2008, the CI conducted an undercover food stamp benefit transaction at Stryker. During this transaction, the CI entered the store and approached store owner Asnari. Ansari purchased \$401 in food stamp benefits for \$200 in cash.
- b. On January 15, 2009, the UC conducted an undercover food stamp benefit transaction at Stryker. During this transaction, the UC entered the store and approached store owner Ansari. Ansari purchased \$34 in food stamp benefits for \$20 in cash.
- c. On December 11, 2009, the CI conducted an undercover benefit transaction at Stryker. During this transaction, the CI entered the store and approached store employee Kian Salour. Salour purchased \$70 worth of food stamps in exchange of \$50 in cell phone minutes and a pack of cigarettes.
- d. On January 7, 2010, the CI conducted an undercover food stamp benefit transaction at Stryker. During this transaction, the CI entered the store and

approached store employee Ansari. Ansari purchased \$132 in food stamp benefits for \$100 in cash.

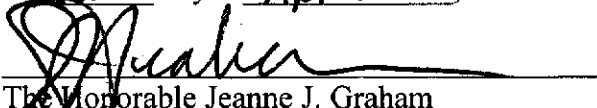
30. On September 16, 2010, federal search warrants were executed on the Stryker Avenue Market, and Ansari's residence. Agents seized documents, including invoices, receipts, ledgers, notebooks, and other records.
31. After the search warrant was executed agents contacted a number of benefit holders. The benefit holders that agents spoke with told them that it was well known that Stryker was a place where you could trade your food stamp benefits for cash.
32. The Stryker Avenue Market has been unable to redeem food stamp benefits since October 7, 2010, when agents confiscated the EBT POS device. Following the seizure of the POS device, the store appeared to be closed or open at irregular hours for several days.
33. On or about March 22, 2011, FNS was notified that Stryker had been sold to an individual with the initials H.A.A. The store was going to be renamed Westside Groceries.
34. The purchase agreement reflects that H.A.A. paid \$30,000 in cash for the contents of the store, including merchandise and equipment. H.A.A. also signed a lease with Ansari's father, under which H.A.A. agreed to rent the store and pay \$3,000 per month for 10 years. Under the terms of the purchase agreement H.A.A. was to have the right of first refusal to purchase the building.
35. Agents then learned that the building the store operates out of was actually purchased by an individual with the initials A.M.A.

36. On April 28, 2011, H.A.A. called agents and told them that Ansari informed him that he had sold the store to A.M.A. and that Ansari is going to Europe. Ansari told H.A.A. that he intended to travel through either Canada or Mexico. Ansari has told H.A.A. that there are no charges currently against him, but that he wants to leave the country before they can charge him.
37. H.A.A. also told agents that Ansari told him that he was selling his belongings at a discount so that he could get cash. H.A.A. said that Ansari is concerned with getting as much cash as he can before he leaves the country. In addition, Ansari offered to purchase cases of cigarettes from Sam's Club with his credit card, and then to sell them at a discount to H.A.A., for cash. H.A.A. understood that Ansari would not be paying the credit card charges, and that this was another way to quickly obtain cash.
38. Based on an analysis of the documents and records seized pursuant to the search warrants that were executed on September 16, 2010, and USDA records of Stryker EBT redemptions, it is believed at this time that the total value of the benefits that Ansari has unlawfully trafficked for cash, or traded for ineligible merchandise is approximately \$3,000,000.
39. Based on the foregoing, I respectfully submit that there is probable cause to believe that Ansari did commit food stamp fraud in violation of Title 7 U.S.C. Section 2024.



Tiffany Nelson, Special Agent
USDA OIG Investigations

Subscribed to and sworn before me on
this 29th day of April, 2011



The Honorable Jeanne J. Graham
United States Magistrate Judge